

Message Text

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C O N F I D E N T I A L QUITO 8960

E.O. 11652: GDS
TAGS: EINV, ENRG, PFOR, EC
SUBJECT: GULF-GOE NEGOTIATIONS

REF: QUITO 8915

1. SUMMARY: ACTING AS SPOKESMAN FOR THE SUPREME COUNCIL, POVEDA ASKED GULF DECEMBER 27 TO REACH SOME AGREEMENT WITH VARGAS TO TRANSFER ITS ASSETS TO CEPE BY DECEMBER 31. VARGAS ASSERTED IN SUBSEQUENT NEGOTIATING SESSION THAT \$82 MILLION FIGURE WAS FIXED BY ECUADOREAN LAW, ALTHOUGH HE INDICATED THAT THE GOE MIGHT BE FLEXIBLE ON OTHER POINTS IN THE DECREE. LUMPKIN IS PREPARED TO OFFER A RETROACTIVE TRANSFER DATE OF DECEMBER 31 IN MEETING WITH VARGAS EVENING OF DECEMBER 28. AMBASSADOR WILL DISCUSS SITUATION PRIVATELY WITH POVEDA BEFORE GULF'S MEETING WITH VARGAS TONIGHT. END SUMMARY.

2. GULF VICE PRESIDENT LUMPKIN CALLED ON AMBASSADOR MORNING OF DECEMBER 28 TO REPORT RESULTS OF LAST NIGHT'S MEETING WITH MEMBERS OF THE SUPREME COUNCIL AND A SUBSEQUENT UNSCHEDULED NEGOTIATING SESSION WITH VARGAS, CEPE MANAGER MIRANDA, AND SUBSECRETARY OF FINANCES JARAMILLO. GULF REPRESENTATIVES HAD PLANNED ONLY TO MEET WITH GENERAL DURAN, IN RESPONSE TO DURAN'S REQUEST TO MEET WITH LUMPKIN (REFTEL).

3. GULF REPRESENTATIVES, HOWEVER, WERE USHERED INTO A MEETING
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WITH ALL MEMBERS OF THE SUPREME COUNCIL, VARGAS AND MIRANDA. POVEDA TOLD GULF THAT THE DRAFT DECREE WAS SIMPLY A NEGOTIATING TECHNIQUE, THAT THE GOE WELCOMED GULF'S COMMENTS ON THE DECREE, AND THAT GULF SHOULD MAKE EVERY EFFORT TO COME TO SOME AGREEMENT ON THE DRAFT DECREE BY DECEMBER 31.

4. GULF MET IMMEDIATELY AFTERWARD WITH VARGAS, MIRANDA AND JARAMILLO AND PRESENTED A LETTER OUTLINING THE MANY POINTS IN THE DRAFT DECREE AT VARIANCE WITH THE USG-GOE MEMORANDUM. VARGAS SIMPLY MAINTAINED THAT ON MOST POINTS THE DECREE DID NOT CONTRADICT THE MEMORANDUM, ALTHOUGH HE DID ADMIT THAT THE QUITCLAIM WAS INCLUDED IN THE MEMORANDUM.

5. VARGAS MAINTAINED THAT THE PROVISIONAL PAYMENT OF \$82 MILLION HAD BEEN DETERMINED "BY ECUADOREAN LAW" AND THAT THE \$40 MILLION IN CLAIMS LEVIED AGAINST GULF WAS NON-NEGOTIABLE. LUMPKIN EMPHASIZED TO THE AMBASSADOR THAT GULF COULD NEVER ACCEPT THIS PROVISIONAL FIGURE OF \$82 MILLION.

6. VARGAS ALSO TOOK A HARD LINE ON DISPUTES ARISING FROM THE GOE'S APPLICATION OF DECREE 285, BY SIMPLY CLAIMING THAT TEXACO AND GULF OWE CEPE SOME 1.7 MILLION BARRELS. VARGAS, HOWEVER, DID INDICATE SOME FLEXIBILITY ON THE PAYMENT PERIOD AND THE RATE OF INTEREST THE GOE MIGHT BE WILLING TO PAY.

7. LUMPKIN SUGGESTED TO THE AMBASSADOR THAT GULF PRESENT ITS IDEA OF A RETROACTIVE TRANSFER DATE OF DECEMBER 31, IF NEGOTIATIONS REMAIN AT AN IMPASSE TONIGHT. AMBASSADOR AGREED THIS PROPOSAL SHOULD BE PRESENTED AND FURTHER SUGGESTED THAT GULF MIGHT DISCUSS A DRAFT DECREE IN WHICH THE AMOUNT OF PAYMENT IS UNSPECIFIED.

8. AMBASSADOR HAS ASKED FOR APPOINTMENT WITH POVEDA BEFORE VARGAS' MEETING WITH GULF OFFICIALS TONIGHT ON THE CHANCE THAT POVEDA AND DURAN HAVE AGREED TO LET VARGAS NEGOTIATE WITH GULF, BUT FAILING AN AGREEMENT, WOULD BE WILLING TO CONFIDENTIAL

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ANNOUNCE A POSTPONEMENT OF THE DECEMBER 31 DEADLINE.

9. IN RELATED DEVELOPMENTS, LOCAL PRESS CARRIED ARTICLES TODAY ASCRIBED TO "INFORMED SOURCES" CITING THE \$82 MILLION FIGURE TO BE PAID FOR GULF'S ASSETS. THE ARTICLES ALSO SAID THAT CEPE WOULD ASSUME CONTROL OF GULF'S ASSETS AND START LIFTING GULF'S SHARE OF THE OIL DECEMBER 31 EVEN IF NO AGREEMENT HAD BEEN REACHED.
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